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9 PG&E National Energy Group

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BEFORE THE ARIZONA CORPORATION COMMISSION

10 IN THE MATTER OF THE ARIZONA
11 PUBLIC SERVICE COMPANY'S REQUEST
12 FOR A VARIANCE OF CERTAIN
13 REQUIREMENTS OF A.A.C. R14-2-1606

Docket No. E-01345A-01-0822

APPLICATION OF PG&E NATIONAL
ENERGY GROUP FOR LEAVE TO
INTERVENE

14 Pursuant to Arizona Administrative Code ("A.A.C.") R14-3-105, PG&E National Energy
15 Group ("NEG") hereby moves the Commission for leave to intervene in the above-captioned
16 proceeding.

17 NEG develops, owns and operates electric generating facilities throughout North America,
18 including the Harquahala Generating Plant (the "Plant") now under construction and its
19 associated transmission lines. The Plant is located just west of the Palo Verde Nuclear
20 Generating Station and is scheduled for full commercial operation in mid 2003. As a merchant
21 plant, the Harquahala Generating Plant's sole purpose is to sell its firm output in a competitive
22 wholesale market for electric power.

23 NEG fully supports and has participated in the development of the Commission's Retail
24 Electric Competition Rules, A.A.C. R14-2-201 et seq. ("Electric Competition Rules"). The
25 Commission's Decision No. 61973 (the "Decision"), which approved the Settlement Agreement
26

1 dated May 14, 1999, as amended, between Arizona Public Service Company ("APS") and various
2 parties (the "Settlement Agreement"), was a significant step in creating the conditions necessary
3 for a competitive market for electric power in Arizona. NEG has directly relied on the
4 Commission's Decision and specifically the requirement that APS "procure generation for
5 Standard Offer customers from the competitive market as provided for in the Electric
6 Competition Rules." See Addendum to Settlement Agreement, ¶ 5.(4.1.(3)). Indeed, NEG
7 intends to be one of many bidders seeking to provide power to APS through a long-term purchase
8 power contract. Accordingly, the APS variance request and proposed form of Purchase Power
9 Agreement ("PPA"), if approved, will have a significant and devastating financial and operational
10 impact on the Plant. Not only will NEG be denied any meaningful opportunity to compete for the
11 chance to provide power to APS, but it will also suffer severe financial impacts from reduced
12 revenues and increased unit costs if the APS request is granted. For example, if approved, the
13 APS request will cut NEG and other generators out of a large share of the long-term wholesale
14 market and will force the Plant to compete for a reduced share of the remaining wholesale sales
15 market, i.e., the short-term market. In addition, the APS variance request and PPA, if granted,
16 will most likely result in Pinnacle West's new Red Hawk Plant and their other existing generating
17 resources having priority and other advantages as far as access to constrained transmission line
18 capacity from the Palo Verde switchyard into the Phoenix metropolitan area.
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22 NEG has already incurred tens of millions of dollars in costs in order to design, permit and
23 begin the construction of the Harquahala Generating Plant and, in reliance on the Electric
24 Competition Rules, in particular A.A.C. R14-2-1606(B), has committed to investing in excess of
25 an additional one-half billion dollars to gain access to the Arizona market. Accordingly, NEG
26

1 will be directly and substantially affected by any decision of the Commission in these
2 proceedings. Moreover, the granting of intervenor status to NEG will not unduly delay the
3 proceedings or cause the issues to be unduly broadened.

4 NEG requests that all communications in connection with the above-captioned
5 proceedings be directed to:
6

7 Roger K. Ferland, Esq.
8 Quarles & Brady Streich Lang LLP
9 Renaissance One
Two North Central Avenue
Phoenix, AZ 85004-2391

10 For the reasons discussed above, NEG respectfully requests that it be granted leave to
11 intervene in these proceedings, and that NEG be accorded full status of an intervenor under the
12 Commission's rules and regulations.
13

14 RESPECTFULLY SUBMITTED this 19th day of November, 2001.

15 QUARLES & BRADY STREICH LANG LLP
16 Renaissance One
17 Two North Central Avenue
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18
19 By Roger Ferland
20 Roger K. Ferland

21 Attorney for Proposed Intervenor PG&E National
22 Energy Group
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1 Original and 10 copies
2 hand-delivered this 19th
of November, 2001 to:

3 Docket Control
4 Arizona Corporation Commission
1200 West Washing Street
5 Phoenix, AZ 85007

6 Copy of the foregoing
hand-delivered this 19th
7 day of November, 2001 to:

8 Lyn Farmer
9 Chief Administrative Law Judge
Hearing Division
10 Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

11 Chris Kempley, Chief Counsel
Legal Division
12 Arizona Corporation Commission
1200 West Washington Street
13 Phoenix, AZ 85007

14 And a copy mailed this 19th
day of November, 2001 to:

15 Thomas L. Mumaw, Esq.
16 Jeffrey B. Guldner, Esq.
Snell & Wilmer
17 One Arizona Center
Phoenix, AZ 85004-2202
18 Attorneys for APS

19
20 By Sarah Menne
21
22
23
24
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